

MINUTES OF THE MEETING
INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY

February 22, 2006

MEMBERS PRESENT: Ryan Kitchell, Vice Chair; Lance Rhodes; William Lister; Sue Scholer; and Kelly Borrer.

ALSO PRESENT: Mark Gastineau, Terri Hawkins, John Pease, and Bob Kocher, JP Morgan; Brenda Horn, Kristin McClellan, Susan Price, and Todd Ponder, Ice Miller; John Meade, Hall Render; Jennifer Marion, Sister Ann Kathleen Magiera, William Lammers, Sisters of St. Francis Health Services, Inc.; Tom Fischer, Fischer Advisory Services; Shawna Shinkle, Debbie Ridlen, Warren Forgey, Schneck Medical Center; Jim Merten, City Securities; Clark Byrum, Ross and Sinclair; Neal Steinbart, Barnes and Thornburg; Sam Bick, Grandview Care, Inc.; Bill Elliot, RBC Capital Markets; Bill Curran, Marian College; Nessy Shems, Piper Jaffray; John Kirkwood, Krieg De Vault; Rachelle Lore; Amy Corsaro; and Dan Kramer.

The Vice Chairman welcomed those in attendance, recognized the presence of a quorum and called the meeting to order at 11:00 a.m. on February 22, 2006, in Suite 900, One North Capitol, Indianapolis, Indiana, pursuant to notice thereof.

The Vice Chairman asked for approval of the Minutes of the December 14, 2005, meeting of the Indiana Health and Educational Facility Financing Authority. Thereupon, upon motion made by Ms. Borrer and seconded by Mr. Rhodes, it was unanimously:

RESOLVED, the Minutes of the December 14, 2005, meeting of the Indiana Health and Educational Facility Financing Authority are hereby approved and the Executive Director is instructed to execute same and to place same in the Minute Book as the Minutes of the December 14, 2005, Meeting of the Indiana Health and Educational Facility Financing Authority.

Mr. Kitchell then checked with the board in regards to the acceptability of the scheduled March 22, 2006, meeting, and all were agreeable to that date. Mr. Kramer reminded the board that at the previous meeting it was asked of him to create a calendar showing all of the scheduled meeting dates and informed members that a sheet listing these dates was included in their packets.

Mr. Kitchell then asked for the Executive Director's Report.

EXECUTIVE DIRECTOR'S REPORT

A copy of the Executive Director's Report is attached hereto as Exhibit A.

The Executive Director began his report by informing members that the DePauw University transaction for \$83,850,000 closed on January 11, 2006, the Clarian Health Partners, Inc. transaction for \$327,170,000 closed on January 24, 2006, the Howard Regional Health System Foundation 1985A pool loan for \$1,715,640 closed on February 1, 2006, and the Methodist Hospitals 1985A pool loan for \$5,500,000 closed on January 24, 2006.

The Executive Director continued with the next item on the agenda, the Preliminary Resolution for Jackson County Schneck Memorial Hospital in an amount not to exceed \$35,000,000. The Executive Director introduced Neal Steinbart from Barnes and Thornburg, bond counsel, and Tom Fischer from Fischer Advisory Services, financial advisor for Jackson County Schneck Memorial Hospital.

Mr. Steinbart began by introducing Warren Forgey, Vice President Fiscal Services for the Hospital, Tom Fischer with Fischer Advisory Services, financial advisor for the Hospital, Nussy Shems with Piper Jaffray as one of the underwriters in the financing, Jim Merten with City Securities who is the other underwriter, and John Kirkwood from Krieg De Vault who is the underwriter's counsel for this financing. Mr. Steinbart continued by telling members that they were here to obtain preliminary approval for this financing of \$35,000,000. This money would be used for new construction as well as renovation of existing facilities. The new construction would be an addition to the existing facility, including the demolition of an old portion of the hospital and the construction of a new larger south wing of the hospital that is to hold a new emergency department, diagnostic imaging department, and a new patient entrance. The new construction also includes the expansion and reconfiguration of parking areas. Renovations in existing in-patient areas would allow for all private rooms and renovation in outpatient areas to allow for expanded services. The project is necessary or helpful for providing health services in Indiana because of increases in patient volume over the last ten years causing the hospital facilities to be overcrowded.

Next Mr. Forgey explained that Jackson County Schneck Memorial Hospital is the sole city (Seymour) and county hospital and they have outgrown their existing facilities primarily in the outpatient areas. The oldest part of the hospital that is to be torn down, according to their engineers, was going to be more expensive to renovate than to demolish and rebuild. Another component will be a free-standing cancer center, though a portion of the funds for that project will come from the community; fundraising efforts are currently underway by the Foundation to raise a significant amount of that money.

Lastly, Mr. Fischer informed members that the last time they went to the market was in 1998 when they were rated a BBB+ by the S&P, and due to the superb performance of the hospital it has been raised to an A-. The proposed amount will not exceed \$35,000,000 and they intend to have a mix of fixed rate and variable rate debt. It is their intention to market the bonds locally and throughout the state as the market is currently amenable to that. They are currently in the process of selecting a locally owned LOC bank.

Mr. Kitchell asked for verification that this was the only hospital in the county, and then asked how close the nearest hospital was. Mr. Forgey responded that Columbus Regional is about 25 miles to the north and Jennings County Hospital is about 15 miles to the east. There were no other questions.

Thereupon, upon motion made by Mr. Lister and seconded by Mr. Rhodes, it was unanimously:

RESOLVED, the Preliminary Resolution Authorizing the Issuance of the Indiana Health and Educational Facility Financing Authority Hospital Revenue Bonds (Jackson County Schneck Memorial Hospital Project), in the principal amount not to exceed \$35,000,000 and Approving and Authorizing other actions with respect thereto be and hereby is approved.

A copy of the resolution is attached hereto as Exhibit B.

The Executive Director continued his report with the next item on the agenda, the Preliminary Resolution regarding Sisters of St. Francis Health Services, Inc. Obligated Group in an amount not to exceed \$700,000,000. The Executive Director introduced Brenda Horn of Ice Miller, and mentioned to the board that this will be the first bond to come before the board with out-of-state components. However, 88% of the funds are staying in Indiana and this type of transaction is permitted under the Authority's statute. This transaction also has a substantial amount of refunding money included.

Ms. Horn began by mentioning that the resolution primarily relates to a very significant refunding component; there is only \$175,000,000 to \$180,000,000 of new money. They are looking to refund some fixed rate debt and restructure some variable rate debt to see substantial savings. The proposed plan anticipates two separate closings, for tax reasons, and all debt is to be insured. There are insurance commitments from MBIA, FDIC and FFA. The debt will be issued as auction rate or variable rate demand notes and will be insured. As long as there is a substantial Indiana component, which there is, it is allowable for the Authority to finance this entire project. Ms. Horn then introduced William Lammers, Senior Vice President, Finance/CFO.

Mr. Lammers began by giving members a brief background on the Sisters of St. Francis Health Services Inc. that was began in Lafayette approximately 125 years ago. There are a total of 12 hospitals, 10 in Indiana with two located just across the state border in Illinois. In central Indiana is housed an information services center that employs approximately 200 people, the corporate offices are housed in Mishawaka, and the Alverno Provena Hospital Laboratories are located in Hammond Indiana. Mr. Lammers pointed out that they take the communities in which they are located very seriously with approximately 15% of their operating expenses going to care for the poor in the community. He then introduced Jennifer Marion to talk more in depth about the financing.

Ms. Marion began by stating that the majority of the financing will be to refund old debt. The new issue will be all variable rate and they will be swapping it back to some fixed rate components with the goal in time to be a 50/50 mix of fixed and variable rate bonds. The new money will be spread over all twelve hospitals throughout Indiana and Illinois. Some of the money will also be used in the support divisions, such as IT systems and hardware. There will be expansion, infrastructure improvements, new equipment and replacement equipment.

Mr. Kitchell asked if there were any questions, and Mr. Kramer asked if the Averno supplied any services or supplies to businesses or hospitals outside of the Sisters of St. Francis Health Services, to which Ms. Marion replied that has done so in the past, but currently those outside services are being provided by Averno Clinical Laboratories that Sisters of St. Francis has a 66.5% ownership in. There were no other questions.

Thereupon, upon motion made by Mr. Rhodes and seconded by Ms. Borrer, it was unanimously:

RESOLVED, the Preliminary Resolution Authorizing the Issuance of the Indiana Health and Educational Facility Financing Authority Hospital Revenue Bonds, Series 2006 (Sisters of St. Francis Health Services, Inc. Obligated Group) in the principal amount not to exceed \$700,000,000 and Approving and Authorizing other actions with respect thereto to be and hereby is approved.

A copy of the resolution is attached hereto as Exhibit C.

The Executive Director continued his report with the next item on the agenda, the Preliminary Resolution regarding Marian College in an amount not to exceed \$6,000,000. The Executive Director introduced Todd Ponder of Ice Miller, bond counsel and William Curran, Vice President, Finance and Operations at Marian College.

Mr. Ponder began by Mr. Curran and the underwriters, Bill Elliot and Dan Rasher of RBC Capital Markets, and Mark Gastineau of JP Morgan. This will be a bond issue not to exceed \$6,000,000, and will be a floating rate transaction backed by a letter of credit. JP Morgan will be trustee, and John Meade, Hall Render, will be borrower's counsel. The transaction will be rated by Moody's and will be based on the letter of credit from JP Morgan. There will be no S&P rating on this transaction.

Mr. Ponder continued by detailing the proposed use of the requested funds. Firstly, there will be improvements made for the athletics department, including locker rooms, weight rooms, training facilities, and athletic offices and practice facilities. Next there will be a new central housing component to house 80 to 100 students. It is also intended to convert St. Francis Hall from its current use to a student center and dining facility and to relocate academic programs in that building elsewhere on campus. The timetable is to have the deal closed in early April if all goes as planned.

Then Mr. Ponder introduced Mr. Curran to tell a little more about the project. Mr. Curran began by informing members that enrollment is up in every semester, with the

exception of the current semester, for the last ten semesters. A football team has been started that will begin its first season in fall of 2007 and they will need facilities that will be provided by an addition to the existing physical education center. They also intend to build a new dormitory, as the most recent dormitory was built 40 years ago. Though they are clean, safe, and renovated, they are not attractive to upperclassmen. Many upperclassmen move off campus into apartments. The intention is to provide housing that is more enticing to these students. Lastly they intend to shuffle departments around in order to make the best use of the space already in their possession.

Mr. Rhodes asked if he could receive a breakdown of how much money was going into each portion of the project. Mr. Curran replied that approximately \$2,500,000 would go into athletics, \$2,500,000 into the housing project, and \$1,000,000 would go into the relocation of existing academic departments. Mr. Kitchell then asked if there were any further questions, there were none.

Thereupon, upon motion made by Ms. Scholer and seconded by Mr. Lister, it was unanimously:

RESOLVED, the Preliminary Resolution Authorizing the Issuance of the Indiana Health and Educational Facility Financing Authority Variable Rate Demand Educational Facilities Bonds, Series 2006 (Marian College Project) in the principal amount not to exceed \$6,000,000 and Approving and Authorizing other actions with respect thereto to be and hereby is approved.

A copy of the resolution is attached hereto as Exhibit D.

The Executive Director continued his report by directing members to the Indiana Educational Facilities Authority Annual Report for the fiscal year ending June 30, 2005, that was located in their packets. He explained that it is a statutory requirement that they be provided a copy of the report. Mr. Lister had a question about one of the auditor's written comments to which Mr. Kramer replied that they had all been rectified, most through the merger with the IHFFA.

The Executive Director continued his report by directing members to the February 2006 Cash and Investment report, then introduced Kelly Borrer to report on the happenings on the Indiana Seed Fund. Ms. Borrer began by stating that the first company invested in has been closed in the amount of \$250,000. The company will be formed around medical technology developed at Purdue University, will be located in Indianapolis, and the funds will be utilized to conduct market research, prototype testing, and preparation for FDA testing.

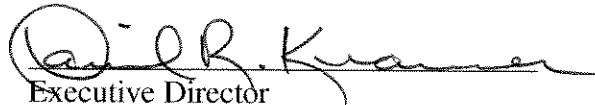
Mr. Rhodes commented, in regard to additional funds that can be invested, that Dr. Monroe, Commissioner of the Indiana State Department Health, has a couple of initiatives that she would like to present to the board. Mr. Kramer asked Mr. Rhodes to have him and/or Dr. Monroe contact him for further information.

The Executive Director continued his report by informing members of the spring 2006 semi-annual joint conference of the national health and education financing authorities to be held in April in Monterey, California. It was agreed that Mr. Kramer was to attend.

The Executive Director concluded his report.

There being no further business, the meeting was adjourned.

Respectfully submitted,


Executive Director